PRESIDENT: Senator Stoney, would you respond?

SENATOR STULL: Senator Stoney does this interest rate increase then apply only to the loan to the policy owner?

SENATOR STONEY: Do you mean Senator Stull that the amount allowable as interest to the individual could be increased? Yes.

SENATOR STULL: Then my other question is, if you increase the rates then your earnings will be increased. Will this be reflected in the policy owners dividends?

SENATOR STONEY: Here is a problem that is created and I wish to speak to that particular issue, because it was brought out in the letter that was directed to you by...

PRESIDENT: Senator Stoney, your light is on. No, no, you can speak later but in order to move along will you respond to the question please.

SENATOR STONEY: Yes. Will you restate the question.

SENATOR STULL: Well if you increase the interest rates, will the dividends to the policy owner be increased likewise?

SENATOR STONEY: Many times it is regulated by the state insurance department and they will not allow it due to a solvency factor with the insurance company.

SENATOR STULL: OK, thank you.

SENATOR STONEY: OK

PRESIDENT: Senator Murphy.

SENATOR MURPHY: Mr. Chairman, I think that as Chairman of the Insurance Committee that I was probably not unduly influenced by the Insurance Companies mostly because I was not there to vote on that particular occasion. So I really don't feel as though I was too badly influenced. However I would say this. I do believe that the occasion for this bill has arisen once more from the antics of our federal government and their payment of interest on their so-called obligations which we are clear out of sight on now. When the Government is paying 10% interest and the average individual has a cash value on his policy that he can borrow at 6%, 10% less 6% adds up to 4% which is an immediate gain which was never intended when the policy was bought, which was certainly not intended on the part of the insurance company, which withdraws from the insurance company their ability to loan these funds and thereby generate revenues which will in fact lower premiums. If I am not mistaken the basis of a premium rate being approved by the department of insurance is the difference between their cost. Now if they are going to have all of their cash funds periodically up and down depending upon the governmental interest rate in and out of policies it makes their life a little bit miserable in managing their own portfolio and certainly decreases their earning abilities at times like this which